

**DOCUMENT RESUME**

01980 - [A1052031]

[Relocation Allowance: Origination Fee]. B-186312. April 11, 1977. 5 pp.

Decision re: William D. Curtis; by Robert F. Keller, Deputy Comptroller General.

Issue Area: Personnel Management and Compensation: Compensation (305).

Contact: Office of the General Counsel: Civilian Personnel.

Budget Function: General Government: Central Personnel Management (805).

Authority: E-168674 (1974). B-177306 (1973). B-186312 (1976). B-173152 (1971). E-183572 (1976). B-186290 (1976). B-178235 (1973). B-184703 (1976). B-178454 (1973). E-186312 (1976). 12 C.F.R. 226.4(a). F.T.R. (FPMR 101-7), para. 2-6.2d.

Employee requested reconsideration of a decision denying reimbursement of a loan origination fee incurred incident to a house purchase upon his relocation. The fee covered the finance company's overhead expenses in connection with preparation of documents, and was thus a nonreimbursable finance charge under regulations. (DJM)

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**DECISION**



**THE COMPTROLLER GENERAL  
OF THE UNITED STATES  
WASHINGTON, D.C. 20548**

**FILE: B-186312**

**DATE: April 11, 1977**

**MATTER OF: William D. Curtis - Relocation Allowance,  
Origination Fee**

**DIGEST: Employee may not be reimbursed loan  
origination fee incurred incident to financing  
a house purchase upon his relocation since  
the fee was to cover the finance company's  
overhead expenses in connection with pre-  
paring documents and is thus a finance charge  
within the meaning of Regulation Z, 12 C.F.R.  
§ 226.4(a).**

Mr. William D. Curtis has asked us to reconsider decision B-186312, December 21, 1976, in which we denied him reimbursement of a loan origination fee incurred incident to his purchase of a residence upon his transfer of official duty station from Salt Lake City, Utah, to Provo, Utah. The facts in Mr. Curtis' case are set out in B-186312, supra, and need not be repeated here.

We denied Mr. Curtis' claim on the basis that the loan origination fee represented costs which are incident to the extension of credit within the purview of Regulation Z, 12 C.F.R. § 226.4(a), and are thus not reimbursable under the Federal Travel Regulations (FPMR 101-7) para. 2-6.2d (May 1973). The pertinent part of Regulation Z states:

**"§ 226.4 Determination of finance charge.**

**"(a) General rule. Except as otherwise provided in this section, the amount of the finance charge in connection with any transaction shall be determined as the sum of all charges, payable directly or indirectly by the customer, and imposed directly or indirectly by the creditor as an incident to or as a condition of the extension of credit, whether paid or payable by the customer, the seller, or any other person on behalf of the customer to the creditor or to a third party, including any of the following types of charges:**

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\* \* \* \* \*

"(2) Service, transaction, activity,  
or carrying charge.

"(3) Loan fee, points, finder's fee,  
or similar charge.

\* \* \* \* \*

"(e) Excludable charges, real property transactions. The following charges in connection with any real property transaction, provided they are bona fide, reasonable in amount, and not for the purpose of circumvention or evasion of this part, shall not be included in the finance transaction:

"(1) Fees or premiums for title examination, abstract of title, title insurance, or similar purposes and for required related property surveys.

"(2) Fees for preparation of deeds, settlement statements, or other documents.

"(3) Amounts required to be placed or paid into an escrow or trustee account for future payments of taxes, insurance, and water, sewer, and land rents.

"(4) Fees for notarizing deeds and other documents.

"(5) Appraisal fees.

"(6) Credit reports."

Mr. Curtis believes that the following statement from his finance company, which we did not reproduce in the body of decision B-186312, supra, makes evident that the loan origination fee is excluded from the definition of a finance charge under Regulation Z (subparagraph (e)(2)) and is accordingly reimbursable:

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"In your case the fee of \$580.50 was charged for preparation of the following documents:

- 1 - Warranty Deed
- 2 - Deed of Trust
- 3 - Buyer's settlement statements
- 4 - Finance note"

Our decision B-186312, *supra*, did consider the above statement from the finance company but we found controlling the finance company's prior admission that:

"We cannot give you a detailed breakdown of the Loan Origination Fee and the amount specifically charged to each document prepared for you. This fee is required by law to be announced to the borrower in advance of the loan on the Disclosure/Settlement Statement, form HUD-1(5-75), reference HUD Guide 'Settlement Costs' and Regulation 'Z'. Therefore, we are required to perform the work for that fee regardless if the cost is greater.

"The Origination fee we charged you is \$580.50 or one and one-half (1-1/2) percent of the loan, which is the customary charge for a conventional home loan such as yours. This fee is used to pay wages, insurance, rent, utilities, equipment and all other overhead expenses, in connection with the preparation of the usual conveyances, deeds, loan documents, and settlement statements for the borrowers." (Emphasis supplied.)

In other words, the loan origination fee did not represent the direct cost of preparing documents, which cost may have been reimbursable, but rather the loan origination fee is attributed to overhead costs such as are included in the definition of a finance charge in Regulation Z and which are therefore nonreimbursable costs. In decision B-173152, August 2, 1971, we stated that "there is no basis under the governing regulation, section 4.2

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of Office of Management and Budget Circular No. A-56, revised June 26, 1969 [now FTR para. 2-6.2d] for payment of 'bookkeeping, overhead, clerical and miscellaneous' expenses of a loaning institution incident to the purchase of a residence."

Moreover, as we stated in B-183972, April 16, 1976, concerning loan origination fees:

"The loan origination fee claimed \* \* \* related to the processing and handling of [a] loan and was computed as 1% of the loan. Such a fee which varies in total amount in direct proportion to the amount borrowed is more in the nature of a charge for the hire of money than reimbursement for administrative costs of processing the loan. As such, this fee may be described as a 'loan fee' within the meaning of section 106(a)(3) of the Truth in Lending Act. See B-168674, March 11, 1974; B-177306, January 2, 1973. No exception for loan origination fees is contained in section 106(e) of the Act. Thus since the loan origination fee is a 'finance charge' according to section 106 of the Truth in Lending Act and since the Federal Travel Regulations preclude reimbursement for such 'finance charges,' reimbursement is not allowed for the loan origination fee \* \* \*."

We are not persuaded that this rule is incorrect. See also B-186290, September 30, 1976; B-178235, May 7, 1973.

In addition, we have disallowed reimbursement and required further itemization of costs where the aggregation of costs included expenses attributable to items which were part of the finance charge and therefore not reimbursable as well as those which were excluded from the finance charge and which were reimbursable. B-184703, April 30, 1976; B-178454, June 19, 1973. In those situations an itemization of amounts attributable to the non-allowable items and to the allowable items is necessary so that excludable charges may be reimbursed. Therefore, even if the finance company intended to say that the origination fee included the direct cost of the preparation of documents and overhead, we could still not allow reimbursement here since there is no itemization as to the costs which may be reimbursable.

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Therefore, our decision B-186312, December 21, 1976,  
denying Mr. Curtis' claim is affirmed.

  
Deputy Comptroller General  
of the United States